

CHAPTER III

WHAT TO SELECT

MOST investors possess their individual preferences for different classes of securities. Some favour Government Stocks, with the resources of the nation as their protection, and accept this high order of security in compensation for the small return of interest; others prefer mortgages upon real estate, lands and buildings; some, again, incline to commercial and industrial undertakings, or those which are concerned with supplying the material wants of people in the form of articles for conversion into manufactured products, or the resulting products themselves, or the production of articles which the personal requirements of individuals demand.

This diversity of taste suggests an important practical hint, that, namely, of the distribution of the investments over different classes and kinds of securities. If an investor^{**} savings be confined, exclusively or largely, to one description of investment, or to two or three only, he sustains the risk of depreciation or loss in *all* his holdings at one and the same time. If, for example, the investor practically restrict himself to British Government Stocks, and a war become imminent, or grave international difficulties occur, the value of those securities immediately falls, partly from apprehension of those events rendering necessary a further creation of Government capital for the provision of the material requirements which will ensue; (the supply of such securities being thus augmented and thus disturbing the equilibrium between the supply and demand which previously existed, the value will descend). Thus, in the case supposed, the *whole* of the investor's holding will suffer depreciation without any concurrent compensation being afforded by the simultaneous improvement of other stocks in which he should have also invested. And, again, if